



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE AMENDED)
PETITION OF NEW JERSEY-AMERICAN)
WATER COMPANY, INC. FOR APPROVAL)
TO REVISE ITS PURCHASED WATER)
AND PURCHASED SEWERAGE)
TREATMENT ADJUSTMENT CLAUSES)
AND FOR APPROVAL OF ITS TRUE UP)
SCHEDULES)

WATER

ORDER ADOPTING INITIAL
DECISION/STIPULATION

BPU DOCKET NO. WR05110976
OAL DOCKET NO. PUC 0673-2006S

(SERVICE LIST ATTACHED)

BY THE BOARD:

On November 18, 2005, New Jersey-American Water Company, Inc. (Petitioner or Company), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities (Board) pursuant to N.J.A.C. 14:9-7.1, et seq., for approval to implement a Purchased Water Adjustment Clause (PWAC) and a Purchased Sewerage Treatment Adjustment Clause (PSTAC) to become effective March 1, 2006, reflecting increased purchased water expenses and increased purchased sewerage treatment expenses. On January 30, 2006, Petitioner filed an amended petition with the same proposed effective date to reflect additional increases from the Passaic Valley Water Commission (PVWC), the Atlantic City Municipal Utilities Authority (ACMUA), (purchased water increases) the Ocean County Utilities Authority (OCUA), the Cape May County Municipal Utilities Authority (CMCMUA) and, Howell Township (purchased sewerage increases).

The Stipulation of Settlement agreed to by the Parties to this proceeding proposed an overall increase in purchased water costs of \$2,680,954 or 0.95% and, and an overall increase in purchased sewerage treatment costs of \$1,177,165 or 0.042% for a total increase of \$3,858,119.¹ The Stipulation provides no increases for private or public fire protection service customers because these are not metered consumption services.

¹ Total proposed revenue increases for both the New Jersey American Water Company (NJAW) and the Elizabethtown Water Company (EWC) (see I/M/O the petition of Elizabethtown Water Company d/b/a New Jersey American Water Company for Approval to Implement a Purchased Water Adjustment Clause and for Approval of its True up Schedule, BPU Docket No. WR05110977) were \$5,810,491, of which \$3,856,865 were attributable to NJAW and \$1,953,626 were attributable to EWC. Total stipulated revenue increases for NJAW are \$3,858,119 and \$1,950,458 for EWC for a total stipulated revenue increase of \$5,808,526. The difference between NJAW's proposed increase of \$3,856,865 and the stipulated increase of \$3,858,119 is \$1,254. The impact on a residential customer is less than \$0.01 annually.

Petitioner is a water and wastewater utility providing water service to approximately 362,000 customers in certain municipalities in the Counties of Atlantic, Burlington, Camden, Cape May, Essex, Gloucester, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Union and Warren, and wastewater service to approximately 27,000 customers in certain municipalities in the Counties of Monmouth and Cape May.

Petitioner obtains water from ten separate entities and purchases sewerage treatment services from three separate entities, each purchaser has adjusted its rates for service, and in the case of sewerage service providers, issue sewerage deficiency/credit adjustments at different times throughout the year.

The Company's initial rate requests would have resulted in an increase in total Company revenues for water service in the amount of \$1,635,972 or .058% and, an increase in total Company revenues for wastewater services of \$1,202,042 or 0.43%. The total increase was \$2,838,014.

The Company subsequently amended its rate filings to request \$2,654,823 for water service and \$1,202,042 for wastewater service for an overall increase in total Company revenues of \$3,856,865 or 1.36%. The amended filing reflected additional increases in purchased water costs from the PVWC and the ACMUA, and additional increases in purchased sewerage treatment costs from the OCUA, the CMCMUA and Howell Township.

PROCEDURAL HISTORY

This matter was transmitted to the Office of Administrative Law (OAL) on January 30, 2006. The Board retained jurisdiction of the public hearing. Two public hearings were held, one on March 9, 2006 at 5:00 p.m. in Shrewsbury, New Jersey, and the second on March 13, 2006 at 7:00 p.m. in Voorhees, New Jersey. Both public hearings were presided over by Joseph Quirolo, Esq., Legal Specialist with the Board. No members of the public appeared at either public hearing to provide comments on the proposed PWAC and PSTAC rate filings.

On March 1, 2006, an application to intervene was filed with the Board on behalf of the Bulk Purchasers Coalition (BPC). The BPC consist of The Mount Laurel Township Municipal Utilities Authority (MLTMUA) and The Evesham Township Municipal Utilities Authority. There were no objections to the interventions of the BPC noted and no other outside parties intervened in this matter.

Subsequent to the public hearings, the Parties, consisting of the Company, the Division of the Ratepayer Advocate (RPA), the BPC and Board Staff engaged in settlement negotiations. As a result of these discussions, the Company, the RPA and Board Staff reached a settlement on all issues (Signatory Parties) (Stipulation or Settlement). On April 24 2006, BPC submitted a letter not opposing the Stipulation.

Administrative Law Judge (ALJ) Douglas Hurd issued his Initial Decision in this matter recommending adoption of the stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the settlement and that the settlement fully disposes of all issues and is consistent with the law.

STIPULATION

As more fully set forth in the attached Stipulation of Settlement², the Signatory Parties agreed that:

1. Petitioner shall be permitted to modify its PWAC to recover an increase in revenue in the amount of \$2,680,954, effective for service rendered on and after the date of the Board's Order which is expected to be May 16, 2006. The rate per thousand gallons to be reflected on the Company's PWAC Rate Schedule O will be \$0.0840 per thousand gallons of water, an increase of \$0.0604 over the existing rate of \$0.0236. PWAC Rate Schedule O depicting the new PWAC of \$0.0840 is attached to the Settlement as Schedule 3. The typical residential customer, consuming 7,000 gallons of water per month, would receive a monthly increase of \$0.42 or 1.09%. There will be no increases for private or public fire protection service customers nor will there be any increase in any of the Company's fixed service charges (Settlement paragraph 1).
2. The Petitioner shall be permitted to modify its PSTAC to recover an annual increase in revenue in the amount of \$607,648 for customers in Lakewood Township, Ocean County, effective for service rendered on and after the date of the Board Order, which is expected to be May 16, 2006. The rate per 1,000 gallons of winter quarter usage (January, February and March meter readings) for customers in Lakewood Township, to be reflected on the Company's sewer PSTAC Rate Schedule B-1, will be increased by \$0.5977, for a total charge of \$0.9907 per 1,000 gallons. Rate Schedule B-1 depicting the new PSTAC of \$0.9907 is attached to the Settlement as Schedule 4. The typical residential customer with winter quarter usage of 15,000 gallons, 60,000 gallons annually, would receive a quarterly increase of \$8.97 or 7.18%.

The Petitioner shall be permitted to implement a PSTAC to recover an annual increase in revenues in the amount of \$417,176 for customers in Ocean City, Cape May County, effective for service rendered on or after the date of the Board's Order, which is expected to be May 16, 2006. The rate per thousand gallons of summer quarter water usage (July, August and September meter readings) for customers in Ocean City, to be reflected in the Company's Sewer PSTAC Rate Schedule A, will be \$1.0977 per thousand gallons. Rate Schedule A depicting the new PSTAC of \$1.0977 is attached to the Settlement as Schedule 5. The typical residential customer with summer quarter usage of 20,000 gallons, 52,000 gallons annually, would receive a quarterly increase of \$5.49 or 4.17%.

The Petitioner shall be permitted to implement a PSTAC to recover an annual increase in revenues in the amount of \$152,341 for customers in Howell Township, Monmouth Township, effective for service rendered on or after the date of the Board's Order, which is expected to be May 16, 2006. The rate per thousand gallons of water in Howell Township, to be reflected on the Company's Sewer PSTAC Rate Schedule C, will be \$0.9408 per thousand gallons. Rate Schedule C depicts the new PSTAC of \$0.9408 per thousand gallons is attached to the Settlement as Schedule 6. The typical residential

² Cited paragraphs referenced are in the settlement document. This is only a summary, the full settlement documents control, subject to the Board's findings and conclusions contained herein.

customer with usage of 48,000 gallons annually would receive a quarterly increase of \$11.28 or 9.33% (Settlement paragraph 2).

3. In accordance with the provision of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Company shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon all Parties to the present proceeding.

DISCUSSION AND FINDINGS

The Board, having reviewed the Initial Decision and the Stipulation of Settlement, FINDS that the Signatory Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the Initial Decision and the Stipulation to be reasonable, in the public interest, and in accordance with the law. The Board HEREBY ADOPTS the Initial Decision and the Stipulation of Settlement as its own, incorporating by reference the terms and conditions, as if fully set forth at length herein, subject to the following:

- a. The PWAC shall be set to recover an increase in revenue in the amount of \$2,680,954. The rate per thousand gallons to be reflected on the Company's PWAC Rate Schedule O shall be \$0.0840 per thousand gallons of water. There shall be no increases for private or public fire protection service customers nor shall there be any increase in any of the Company's fixed service charges.
- b. The PSTAC shall be set to recover an annual increase in revenue in the amount of \$607,648 for customers in Lakewood Township, Ocean County. The rate per 1,000 gallons of winter quarter usage (January, February and March meter readings) for customers in Lakewood Township, to be reflected in the Company's sewer PSTAC Rate Schedule B-1, shall be set at \$0.9907 per 1,000 gallons.
- c. The PSTAC shall be set to recover an annual increase in revenues in the amount of \$417,176 for customers in Ocean City, Cape May County. The rate per thousand gallons of summer quarter water usage (July, August and September meter readings) for customers in Ocean City, to be reflected in the Company's Sewer PSTAC Rate Schedule A, shall be \$1.0977 per thousand gallons.
- d. The PSTAC shall be set to recover an annual increase in revenues in the amount of \$152,341 for customers in Howell Township, Monmouth Township. The rate per thousand gallons of water in Howell Township, to be reflected on the Company's Sewer PSTAC Rate Schedule C, will be \$0.9408 per thousand gallons.
- e. In accordance with the provision of N.J.A.C. 14:9-7.3(c) and 14:9-8.3(c), the Company shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this proceeding. Copies of the true-up schedules will be served upon all Parties to the present proceeding.

- f. The Company shall contest the costs associated with purchased water and purchased sewerage treatment costs in accordance with N.J.A.C. 14:9-7.4 (a) 8 or any subsequent amendments thereto. The current code requires:

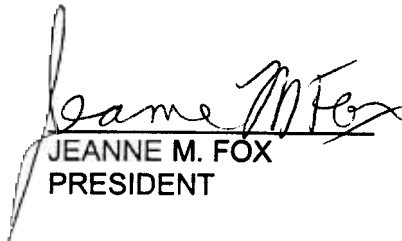
A detailed description of the efforts of the water utility to investigate and analyze the basis for any increase in rates proposed by its water purveyor as well as a detailed description of the water utility's findings. The utility shall also fully describe its efforts in actively participating in the process to assure that these rates are just and reasonable. See also N.J.A.C. 14:9-8.4 (a) 8.

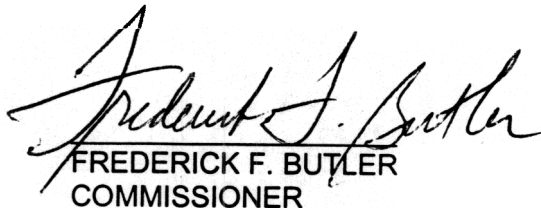
The Board HEREBY ACCEPTS the tariff pages designated as Rate Schedule O Purchased Water Adjustment Clause; Rate Schedule B-1, Purchased Sewerage Treatment Adjustment Clause, Lakewood Township; Rate Schedule A, Purchased Sewerage Treatment Adjustment Clause, Ocean City and; Rate Schedule C, Purchased Sewerage Treatment Adjustment Clause, Howell Township as filed with the Board.

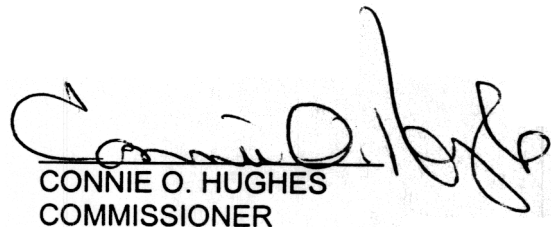
The effective date of this Order is as dated below:

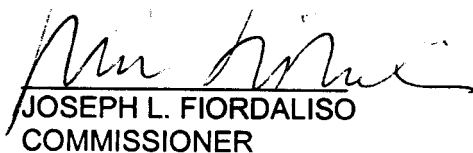
DATED: 5/17/06

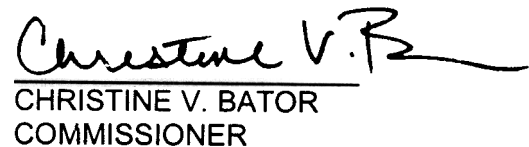
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT

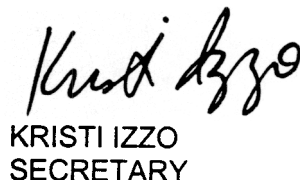

FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

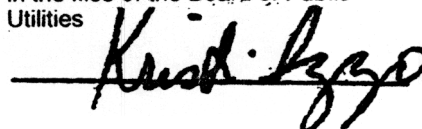

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In the Matter of the Amended Petition of
New Jersey-American Water Company, Inc. for
Approval to Revise its Purchased Water and
Purchased Sewerage Treatment Adjustment
Clauses and for Approval of its True-up Schedules

BPU Docket No. WR05110976
OAL Docket No. PUC 0673-2006S

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State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

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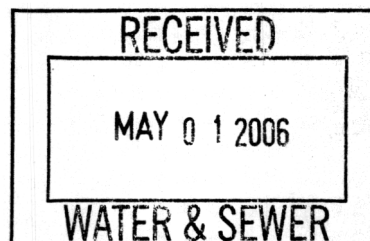
INITIAL DECISION

SETTLEMENT

OAL DKT. NOS. PUC 673-06

AGENCY DKT. NO. WR05110976

**IN THE MATTER OF THE NEW JERSEY-
AMERICAN WATER COMPANY, INC. FOR
APPROVAL TO REVISE ITS PURCHASED
WATER AND PURCHASED SEWERAGE
TREATMENT ADJUSTMENT CLAUSES
AND FOR APPROVAL OF ITS TRUE-UP
SCHEDULES.**



Ira G. Megdal, Esq., for New Jersey-American-Water Company, petitioner
(Cozen O'Connor, attorneys)

Debra F. Robinson, Esq., Assistant Deputy Ratepayer Advocate appearing for
Division of the Ratepayer Advocate (Seema M. Singh, Esq., Ratepayer
Advocate, attorney)

Arlene Pasko, Deputy Attorney General, for the Staff of the Board of Public
Utilities (Zulima V. Farber, Attorney General of New Jersey, attorney)

Record Closed: April 25, 2006

Decided: April 26, 2006

BEFORE DOUGLAS H. HURD, ALJ:

This matter was transmitted to the Office of Administrative Law (OAL) on
February 23, 2006, for determination as a contested case, pursuant to N.J.S.A. 52:14B-
1 to -15 and N.J.S.A. 52:14F-1 to -13.

The parties have agreed to a settlement and have prepared a settlement agreement indicating the terms thereof, which is attached and fully incorporated herein.

I have reviewed the record and the settlement terms and **FIND**:

- 1 The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
- 2 The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of N.J.A.C. 1:1-19.1, and that the settlement should be approved. I approve the settlement and therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

DATE

DOUGLAS H. HURD

DOUGLAS H. HURD, ALJ

Receipt Acknowledged:

April 20, 2006

DATE

Regina Coxon

BOARD OF PUBLIC UTILITIES

Mailed to Parties:

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PUBLIC UTILITIES
NEWARK, N.J.

OFFICE OF ADMINISTRATIVE LAW

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THOMAS MCKAY, III
ATTORNEY RESPONSIBLE
FOR NJ PRACTICE

April 25, 2006

VIA HAND DELIVERY

The Honorable Douglas H. Hurd
Office of Administrative Law
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P.O. Box 049
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2006 APR 25 P 12:10
OFFICE OF ADMINISTRATIVE LAW

Re: In the Matter of the Amended Petition of New Jersey-American Water Company, Inc. for Approval to Revise its Purchased Water and Purchased Sewerage Treatment Adjustment Clauses and for Approval of its True-Up Schedules
BPU Docket No. WR05110976; OAL Docket No. PUC 0673-2006S

Dear Judge Hurd:

Enclosed in the referenced matter please find an executed Stipulation. It is anticipated that this matter will be determined by the Board of Public Utilities at its agenda meeting of May 16, 2006. In order to accomplish this, as we previously discussed, a rapid turnaround is required. As a result, the parties to this matter request that Your Honor issue an Initial Decision accepting the Stipulation as soon as possible.

Please note that while the Stipulation is not executed by Anthony Francioso, Esq., on behalf of the Mount Laurel Township Municipal Utilities Authority and the Evesham Township Municipal Utilities Authority, I have included Mr. Francioso's letter stating his lack of objection to same.

The Honorable Douglas H. Hurd


April 25, 2006

Page 2

Thank you in advance for your anticipated cooperation.

Respectfully,

COZEN O'CONNOR

By:  Ira G. Megdal

IGM/vm

Enclosure

cc: See Attached List

**In the Matter of the Amended Petition of New Jersey-American Water Company,
Inc. for Approval to Revise its Purchased Water and Purchased Sewerage
Treatment Adjustment Clauses and for Approval of its True-Up Schedules
BPU Docket No. WR05110976; OAL Docket No. PUCRS 00673-2006S**

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ANTHONY R. FRANCIOSO*
ERICA D. FALAISE*

Of Counsel
KATHLEEN A. FRANCIOSO*
BILL BARONI*

*MEMBERS OF THE NEW JERSEY & PENNSYLVANIA BAR
*MEMBER OF THE NEW JERSEY & DISTRICT OF COLUMBIA BAR

STATE OF NJ
OFFICE OF A

April 24, 2006

Via Telefax (856) 910-5075 & Regular Mail

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PO Box 5459
Cherry Hill, New Jersey 08002

Re: I/M/O the Amended Petition of New Jersey American Water Company, Inc. For Approval to Revise its Purchased Water and Purchased Sewerage Treatment Adjustment Clauses for Approval of its True-Up Schedules
BPU Docket No. WR05110976; OAL Docket No. PUC 0673-2006S

Dear Mr. Megdal:

As you are aware, FORNARO FRANCIOSO LLC represents the interests of the Mount Laurel Township Municipal Utilities Authority and the Evesham Municipal Utilities Authority in the above referenced rate petitions. The Mount Laurel Township Municipal Utilities Authority's and Evesham Municipal Utilities Authority's Motion of Intervention were not ruled upon as the matter was resolved prior to the transfer to the Office of Administrative Law. The parties do have standing to intervene as they are Contract customers of the New Jersey American Water Company, Inc.

The concern possessed by the Mount Laurel Township Municipal Utilities Authority and the Evesham Municipal Utilities Authority is the pass through of and the purchase by New Jersey American Water Company, Inc., from an affiliated company, Elizabethtown Water Company. Additionally, the Purchased Water Adjustment Clause proceeding is inherently flawed. As in the matter at hand, the Purchased Water Adjustment Clause recognizes increased costs of wholesale purchases subsequent to the Company's last base rate case while increased revenue from wholesale sales and retail sales are not calculated. However, given the proximity of the Petitioner's filing of a base rate case to the adoption of this stipulation the parties will be afforded an opportunity to review the concerns expressed herein.

Ira G. Megdal, Esq.

Re: I/M/O Amended Petition of New Jersey American Water Company, Inc.

April 24, 2006

Page 2

In light of the aforementioned concerns, the Mount Laurel Township Municipal Utilities Authority and the Evesham Municipal Utilities Authority will not file an objection to the adoption of the Stipulation however will not support same.

Thank you for your attention to the foregoing.

Very truly yours,

FORNARO FRANCIOSO LLC

Anthony R. Francioso, Esq.

ARF/jlm

c: Service List

Pamela J. Carolan, P.E., Executive Director, Mt. Laurel Twp. MUA

Louis D. Russo, Executive Director, Evesham MUA

I/M/O the Petition of New Jersey
American Water Company, Inc. for
Approval of its True-Up Schedule
BPU Docket No. WR05110976

SERVICE LIST

Revised: 02/28/06

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

2006 APR 25 P 12:10

IN THE MATTER OF THE AMENDED
PETITION OF NEW JERSEY-AMERICAN
WATER COMPANY, INC. FOR APPROVAL
TO REVISE ITS PURCHASED WATER AND
PURCHASED SEWERAGE TREATMENT
ADJUSTMENT CLAUSES AND FOR
APPROVAL OF ITS TRUE UP SCHEDULES

BPU DOCKET NO. ~~WR05110976~~

OAL DOCKET NO. PUC 0673-2006S

STIPULATION

APPEARANCES

William D. Lavery, Jr., Esq., and Ira G. Megdal, Cozen O'Connor, on behalf of New Jersey-American Water Company, Inc., Petitioner;

Anne M. Shatto, Esq. and Arlene Pasko, Esq., Deputy Attorneys General on behalf of the Staff of the Board of Public Utilities;

Debra F. Robinson, Esq., Assistant Deputy Ratepayer Advocate, on behalf of the Division of the Ratepayer Advocate;

Anthony Francioso, Esq., Fornaro Francioso LLC, on behalf of the Mount Laurel Township Municipal Utilities Authority and the Evesham Township Municipal Utilities Authority

TO THE HONORABLE BOARD OF PUBLIC UTILITIES

On November 18, 2005, New Jersey-American Water Company, Inc. ("Petitioner" or "Company"), a public utility of the State of New Jersey, filed a Petition with the Board of Public Utilities ("Board") pursuant to N.J.A.C. 14:9-7.1, et seq., and 14:9-8 et seq., for approval to implement a Purchased Water Adjustment Clause ("PWAC") and a Purchased Sewerage Treatment Adjustment Clause ("PSTAC") to become effective March 1, 2006, with respect to increased purchased water expense and increased purchased sewerage treatment expense. On January 30, 2006, NJAWC filed its Amended Petition in this docket, with the same proposed effective date.

Petitioner purchases water from ten separate entities and purchases sewerage treatment services from three separate entities, each of which adjusts its rates for service, and, in the case of sewerage service providers, issues sewerage deficiency/credit adjustments, at different times throughout the year. With respect to suppliers of purchased water for the Company

- a. Elizabethtown Water Company ("EWC"), the Company's major supplier of purchased water, representing approximately 35% of the purchased water in this proceeding, had no change in its base rates since the Company's last Purchased Water Adjustment Clause ("PWAC") filing in Docket No. WR04070684, maintaining the charge at \$239,672. However, EWC's PWAC charge, currently at \$35,427 will increase. The Company has been provided notice that EWC's PWAC rate will be adjusted as a direct result of an increase in EWC's contract with the New Jersey Water Supply Authority ("NJWSA"). The impact of the adjustment to W's PWAC will increase the annual charge to the Company from EWC from \$35,427 to \$224,164 for a net increase of \$188,737, as portrayed on Schedule page of 4, to this Stipulation (revised Exhibit D to the Amended Petition)
- b. The NJWSA, the Company's second largest supplier of purchased water, representing approximately 30% of the purchased water in this proceeding, adjusted its rates effective July 2005. Other adjustments were made to the Company's invoices from the NJWSA, as well. Furthermore, the Company was provided notice from the NJWSA that it would be reducing its contract initial rate from \$880.01 per million gallons effective July 1, 2005 to \$818.27 effective July 1, 2006. The impact of all of these changes, plus timing differences, will result in

a decrease to the annual charge to the Company from \$502,024 to \$466,871 or a decrease of \$35,153, as portrayed on Schedule 1, page of 4.

- c. The Passaic Valley Water Commission ("PVWC"), the Company's third largest supplier of purchased water, representing approximately 25% of the purchased water in this proceeding, had two rate increases since the effective date of the Company's last Purchased Water Adjustment Clause, one on January 1, 2005 and the second on August 1, 2005. Additionally, the electric power charge passed through to the Company from the PVWC has increased. Furthermore, the Company was provided notice that PVWC proposed an additional rate increase in the amount of 22%, which became effective March 2006. The impact of all of these changes, including timing differences, was to increase the PVWC annual charge from \$48,740 to \$1,937,185 or an increase of \$1,888,445 as portrayed on Schedule page of 4.
- d. The Atlantic City Municipal Utilities Authority ("ACMUA"), the Company's next largest supplier of purchased water in this proceeding, representing approximately 5% of the purchased water, increased its rates on January 1, 2005. Furthermore, the Company was provided notice that the ACMUA proposed an additional rate increase in the amount of 7%, which became effective January 2006. The impact of all of these changes, including timing differences, was to increase the ACMUA charge from \$0 to \$3 ,625 as portrayed on Schedule 1, page 1 of 4.
- e. Shorelands Water Company ("Shorelands Water"), representing less than 2% of the purchased water in this proceeding, adjusted its rates as of November 9, 2004

The impact of this change, as well as timing differences, resulted in an increase in annual charges from Shorelands Water from \$0 to \$49,550 as portrayed on Schedule 1, page of 4.

As to purchased sewerage treatment charges:

- f. The Ocean County Utilities Authority ("OCUA"), increased its annual charge for sewerage service effective January 1, 2006; the impact of the increased annual charge, as well as timing differences and other adjustments made to the Company's invoices from the OCUA resulted in an increase in annual charges from the OCUA from \$374,700 to \$1,044,250, or an increase of \$669,550 as portrayed on Schedule 1, page 3 of 4. The Cape May County Municipal Utilities Authority ("CMCMUA") increased its annual charge for sewerage service effective January , 2006. The impact of the increased annual charge, as well as timing differences and other adjustments made to the Company's bill from the CMCMUA resulted in an increase in annual charges from the CMCMUA from \$0 to \$454,460, as portrayed on Schedule 1, page 3 of 4. Howell Township has increased its annual sewerage service charge effective January , 2005. The impact of this change, along with timing differences and other adjustments made to the Company's invoices from Howell Township resulted an increase in annual charges from Howell Township from \$0 to \$161,351, as portrayed on Schedule 1, page 3 of 4.

With respect to the filing requirements as contained in N.J.A.C. 4:9-7.3(a) and 14:9-8.3(a) the Company's total pro forma purchased water expense for 2004 amounts to \$17,957,395

and its pro forma sewerage treatment expense amounts to \$10,085,070, whereas the total Company Operating & Maintenance expense amount pro forma is \$122,708,800. Accordingly, Petitioner's total purchased water and sewerage treatment costs exceeds 10% of the total amount of its operating and maintenance expense.

Petitioner's base rates were last set by the Board in a Decision and Order dated February 19, 2004, in Docket No. WR03070511 ("2003 Rate Case"). Base level data from that base rate case proceeding, against which the new cost of purchased water and purchased sewerage treatment expense can be measured, is contained in Exhibit B to the Petition, which is attached hereto as Schedule 2. Schedule 2 depicts the levels of purchases by the Company from the purveyors which supply water to the Company and also reflects the rates per million gallons charged by those various purveyors as allowed in the 2003 Rate Case. Schedule 2 also reflects the annual volumes of sewage treated by the respective entities that provide such service to the Company and the expense associated therewith.

Notice of the filing and of the public hearings ("Notice") was accomplished by mailing copies of such notice to all parties of record, to the clerks of municipalities and clerks and executive officers of the counties within Company's service territory, to sales for resale customers and to the Army and Naval facilities served by the Company, and by publication in newspapers circulated within the Company's service territory, all in accordance with N.J.S.A. 14:1-5.12. On March 1, 2006, an application to intervene was filed with the BPU on behalf of The Mount Laurel Township Municipal Utilities Authority and The Evesham Township Municipal Utilities Authority ("Bulk Purchaser Coalition" or "BPC"). The Company did not oppose this application for intervention. Public hearings were held at the Voorhees Township Middle School, Voorhees, New Jersey on March 13, 2006 at 7:00 p.m. and at the Company's

offices in Shrewsbury, New Jersey on March 9, 2006 at 5:00 p.m. No members of the public made statements at either of the public hearings.

The Division of the Ratepayer Advocate ("RPA"), Board Staff and the BPC served interrogatories on the Company, which were responded to by the Company. The Company, RPA, Board Staff and BPC (collectively the "parties") conducted a discovery and settlement conference at the Board on March 27, 2006, and as a result of discovery conducted and the negotiations among the parties, the parties have been able to reach agreement on this matter, the provisions of which are set forth below:

SETTLEMENT AGREEMENT

Petitioner shall be permitted to modify its PWAC to recover an increase in revenue in the amount of \$2,680,954, effective for service rendered on or after the date of the Board's Order, which is expected to be May 16, 2006. The rate per thousand gallons to be reflected on the Company's PWAC Rate Schedule O will be \$0.0840 per ,000 gallons of water, an increase of \$0.0604 over the existing rate. PWAC Rate Schedule O depicting the new PWAC of \$0.0840 is attached hereto as Schedule 3. The typical residential customer, consuming 7,000 gallons of water per month, would receive a monthly increase of \$0.42 or .09%. There will be no increases for private or public fire protection service customers nor will there be any increase in any of the Company's fixed service charges.

2 Petitioner shall be permitted to modify its PSTAC to recover an annual increase in revenue in the amount of \$607,648 for customers in Lakewood Township, Ocean County, effective for service rendered on or after the date of the Board's Order, which is expected to be May 16, 2006. The rate per ,000 gallons of winter quarter water usage (January, February and March meter readings) for customers in Lakewood Township, to be reflected on the Company's

Sewer PSTAC Rate Schedule B-1 will be increased by \$0.5977, for a total charge of \$0.9907 per ,000 gallons. Rate Schedule B-1 depicting the new PSTAC of \$0.9907 is attached hereto as Schedule 4. The typical residential customer with winter quarter usage of 15,000 gallons, 60,000 gallons annually, would receive a monthly increase of \$2.99 or 7.18%. Additionally, the Petitioner shall be permitted to implement a PSTAC to recover an annual increase in revenue in the amount of \$417,176 for customers in Ocean City, Cape May County, effective for service rendered on or after the date of the Board's Order, which is expected to be May 16, 2006. The rate per 1,000 gallons of summer quarter water usage (July, August and September meter readings) for customers in Ocean City, to be reflected in the Company's Sewer PSTAC Rate Schedule A will be \$1.0977 per 1,000 gallons. Rate Schedule A, depicting a PSTAC rate of \$1.0977 is attached hereto as Schedule 5. The typical residential customer with summer quarter usage of 20,000 gallons, 52,000 gallons annually, would receive a monthly increase of \$1.83 or 4.17%. Additionally, the Petitioner shall be permitted to implement a PSTAC to recover an annual increase in revenue in the amount of \$152,341 for customers in Howell Township, Monmouth County, effective for service rendered on or after the date of the Board's Order, which is expected to be May 16, 2006. The rate per ,000 gallons of water in Howell Township to be reflected on the Company's Sewer PSTAC Rate Schedule C will be \$0.9408 per 1,000 gallons. Rate Schedule C is attached hereto as Schedule 6. The typical residential customer with annual usage of 48,000 gallons annually, would receive a monthly increase of \$3.76 or 9.33%.

3. In accordance with the provisions of N.J.A.C. 4:9-7.3(c) and 14:9-8.3(c), the Company shall file with the Board, not later than 45 days after the adjustment clauses have been in effect for one year, PWAC and PSTAC true-up schedules in connection with this

proceeding. Copies of the true-up schedules will be served upon all parties to the present proceeding.

4. Nothing in this Stipulation shall be construed as directly or indirectly fixing for any purposes whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner. This Stipulation shall not affect nor in any way limited the exercise of the authority of the Board or of the State of New Jersey in any future proceeding with respect to rates, franchises, services, financing, accounting, capitalization or any other matters affecting Petitioner.

5 This Stipulation shall be binding on the parties to this proceeding upon approval hereof by the Board. This Stipulation shall bind the parties in this matter only and shall not be considered precedent in any other proceeding involving the parties hereto.

6. This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the parties individually and jointly state that they would not have signed the Stipulation had any term been modified in any way. In the event that any modifications whatsoever are made to this Stipulation, each of the parties hereto is entitled to certain procedures in the event of such occurrence.

7. If any modification is made to the terms of this Stipulation, the signatory parties must be given the right to be placed in the position in which it was before this Stipulation was executed. It is essential that each party be given the option either to modify its own position, to accept the proposed change(s) or to resume the proceeding as if no agreement had been reached.

8. The parties believe that these procedures are fair to all concerned and, therefore, they are made an integral and essential element of this Stipulation.

9. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

ZULIMA V. FARBER, ATTORNEY
GENERAL OF THE STATE OF NEW
JERSEY FOR THE STAFF OF THE
BOARD OF PUBLIC UTILITIES
BY

By: Arlene Pasko
Arlene Pasko, Esq.
Deputy Attorney General

SEEMA M. SINGH, ESQUIRE
RATEPAYER ADVOCATE

By: Debra F. Robinson, Esq.
Asst. Deputy Ratepayer Advocate

THE MOUNT LAUREL TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY AND
THE EVESHAM TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

By: ANTHONY FRANCIOSO, ESQ.
FORNARO FRANCIOSO, LLC

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By: Ira G. Megdal
IRA G. MEGDAL, ESQ.
COZEN O'CONNOR

Dated: April 21, 2006

9. This Stipulation may be executed in as many counterparts as there are signatories to this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

ZULIMA V. FARBER, ATTORNEY
GENERAL OF THE STATE OF NEW
JERSEY FOR THE STAFF OF THE
BOARD OF PUBLIC UTILITIES

By: _____

Arlene Pasko, Esq.
Deputy Attorney General

SEEMA M. SINGH, ESQUIRE
RATEPAYER ADVOCATE

By: _____

Debra F. Robinson, Esq.
Asst. Deputy Ratepayer Advocate

THE MOUNT LAUREL TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY AND
THE EVESHAM TOWNSHIP MUNICIPAL
UTILITIES AUTHORITY

By: _____

ANTHONY FRANCIOSO, ESQ.
FORNARO FRANCIOSO, LLC

NEW JERSEY-AMERICAN WATER
COMPANY, INC.

By: _____

IRA G. MEGDAL, ESQ.
COZEN O'CONNOR

Dated: April 21, 2006

	2003 Base Case Order Doc. # WR03070511	Current PWAC Filing Rate per MG (see footnotes)	2003 Base Case Order Doc. # WR03070511 Total Cost Per Exhibit B cols (1) - (2)	Current PWAC Filing Total Cost cols (1) - (3)	Annual Cost Increase cols (5) - (4) see recovery note (5)	2004 PWAC Recovery Per Exhibit C col (5)	2005 PWAC Cost Increase cols (6) - (7)
Annual Volume in Million Gals Per Exhibit B (1)	Rate per MG Per Exhibit B (2)	Rate per MG (3)	Costs (1) * (2) (4)	Costs (1) * (3) (5)	(6)	(7)	(8)
Purchased Water							
Elizabethtown Water - Base Rate	4,723,542	\$1,519.65	\$1,570.39 (1)	\$7,178,131	\$7,417,803	\$239,672	\$0
Elizabethtown Water - PWAC (EXEMPT Rate) eff. 3/1/06	4,723,542	n/a	\$47,4568 (1a)	224,164	224,164	35,427	188,737
Total Elizabethtown				\$7,178,131	\$7,641,967	\$463,836	\$188,737
Passaic Valley Water Commission							
- Commonwealth connections							
Water Rates	2,789,880	\$1,079.60	\$1,506.81 (2)	\$3,011,954	\$4,203,819	\$1,191,865	\$1,191,865
Electric Power	2,789,880	\$113.40	\$158.34 (3)	316,372	441,753	125,381	76,641
- Little Falls connection	580,390	\$1,079.60	\$1,506.81 (2)	626,589	874,537	247,948	247,948
Recovery Timing Differences (Exh. D pg. 2 of 4)				n/a	371,991	371,991	371,991
Total PVWC				\$3,954,915	\$5,892,100	\$1,937,185	\$1,888,445
Morris County Municipal Utilities Authority	237,000	\$2,100.00	\$2,100.00	\$497,700	\$497,700	\$0	\$0
Montclair Water Bureau	82,957	\$1,144.00	\$1,144.00 (6)	\$98,719	\$98,719	\$0	\$0
Shorelands Water Company							
- Union Beach connections	182,500	\$1,999.78	\$2,027.38 (4)	\$361,960	\$369,997	\$5,037	\$5,037
- Holmdel connection	44,818	\$3,074.72	\$3,501.90 (4)	137,803	156,948	19,145	19,145
Recovery Timing Differences (Exh. D pg. 2 of 4)				n/a	25,368	25,368	25,368
Total Shorelands				\$502,763	\$552,313	\$49,550	\$49,550
New Jersey Water Supply Authority:							
- Contract Minimum - Initial	2,943,725	\$779.97	\$818.27 (5)	\$2,296,017	\$2,408,762	\$112,745	\$304,293
- Contract Minimum - Delayed Purc	365,000	\$1,059.02	\$1,059.02 (5)	383,414	386,542	3,128	\$46,348
- Contract Minimum - Delayed Purc	706,275	\$1,057.34	\$1,059.02 (5)	746,773	747,959	1,186	\$94,549
- Overdraft Service Rate 2005 (5)				n/a	581,957	410,793	410,793
Electric Power				170,087	170,087	0	0
Source Water Protection Fund	4,015,000	\$15.00	\$15.00 (5)	60,225	60,225	0	60,225
Recovery Timing Differences (Exh. D pg. 2 of 4)				n/a	(60,981)	(60,981)	(60,981)
Total NJWSA				\$3,656,516	\$4,294,551	\$466,871	\$335,153
Atlantic City Municipal Utilities Authority							
- Base Rate	180,000	\$2,676.47	\$2,957.20 (7)	\$481,765	\$532,206	\$50,531	\$50,531
- Excess Rate	550,000	\$2,228.61	\$2,513.40 (7)	1,225,736	1,382,370	156,634	156,634
Recovery Timing Differences (Exh. D pg. 2 of 4)				n/a	104,460	104,460	104,460
Total ACMUA				\$1,707,501	\$2,019,126	\$311,625	\$311,625
City of Wildwood	14,000	\$1,500.00	\$1,500.00	\$66,000	\$66,000	\$0	\$0
Township of Maple Shade	7,216	\$5,226.66	\$5,226.66	\$37,716	\$37,716	\$0	\$0
Borough of Seaside Heights	13,715	\$1,500.00	\$1,500.00	\$110,579	\$110,579	\$0	\$0
Total PWAC Annual Cost Increase						\$3,229,067	\$2,403,204
Total PWAC Filing estimated costs @ 50% (per Exhibit G)						16,293	(82940)
Gross up for GRFT Taxes est. @ 13.6%						519,559	371,458
Underrecovery of 2004 PWAC (Docket # WR04070684) (Exhibit A)						1,385	1,385
Total Increase in Annual Revenue Required						\$3,766,303	\$2,693,106
Total Estimated System Metered Consumption (1000 gals.)						44,386,650	44,386,650
PWAC (per 1000 gals.)						\$0.08490	\$0.06070
Existing PWAC -- Effective October 5, 2004 (WR04070684)						\$0.0236	
Incremental Increase in PWAC based on new Effective Date of 4/26/2006						\$0.0613	
Incremental Increase in PWAC requested in Public Notice - Feb. 2006						\$0.0604	
New PWAC per Stipulation - Effective 4/26/06 (existing \$0.0236 + increm. New capped at Noticed amount \$0.0604)						\$0.0840	
Stipulated PWAC Revenue Increase:						\$2,680,954	
\$0.0604 (\$0.0840 - \$0.0236) x 44,386,650 (system metered consumption)							

Notes: (1) Elizabethtown Tariff Rate effective 7/1/04

(1a) New Elizabethtown PWAC effective 3/1/2006 (revision 1/27/06)

(2) PVWC Rate Effective 3/1/2006 (revision 1/27/06)

(3) Current average cost based on quarter ended 6/30/05

(4) Shorelands Water Co. Tariff Rates effective 11/1/04, Dollars also include Fixed Charge

(5) NJWSA's Adopted Rates for Fiscal Year 7/1/05-6/30/06 per NJ Register (6/20/2005) are \$880.01 Initial and \$1149.26 Delayed. Rates depicted here reflects the NJWSA's Proposed Rates per their Proposed Schedule of Rates for Fiscal Year 7/1/06 - 6/30/07 (revision 1/27/06). Overdraft Service Rate is estimated 2005 charge amortized over 17 months based on the assumed new PWAC recovery period of 17 months.

(6) Rate is the Water Charge Rate Only, Dollars also include Fixed Charge

(7) Atlantic City MUA Rate effective 1/1/2006 (revision 1/27/06)

		2004 PWAC Order Annual Volume in Million Gals Per Exhibit B	Current PWAC Filing Rate per MG Per Exhibit C Loss Reductions	Change in Rate per MG From 2004 PWAC Order only (3) - (2)	-- Per Month Increase --																		
Purchased Water		(1)	(2)	(3)	(4)	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
Passaic Valley Water Commission - Commonwealth connections		2,789,880	\$1,079.60	\$1,122.78 EF 1/1/05	\$43.18						\$10,039	\$10,039	\$10,039	\$10,039	\$10,039		\$36,143	\$36,143	\$36,143	\$36,143	\$36,143	\$36,143	\$36,143
		2,789,880	\$1,079.60	\$1,235.06 EF 6/1/05	\$155.46																		
		2,789,880	\$1,079.60	\$1,506.81 EF 3/1/06	\$427.21																		
Subtotal																							
Electric Power	Subtotal	2,789,880	\$130.87	\$158.34 EF 8/1/05	\$27.47												\$6,387	\$6,387	\$6,387	\$6,387	\$6,387	\$6,387	\$6,387
Little Falls connection		580,390	\$1,079.60	\$1,122.78 EF 1/1/05	\$43.18		\$2,088	\$2,088	\$2,088	\$2,088	\$2,088	\$2,088	\$2,088	\$2,088	\$2,088		\$7,519	\$7,519	\$7,519	\$7,519	\$7,519	\$7,519	\$7,519
		580,390	\$1,079.60	\$1,235.06 EF 6/1/05	\$155.46																		
		580,390	\$1,079.60	\$1,506.81 EF 3/1/06	\$427.21																		
Subtotal																							
Total PVWA Recovery Timing Differences																							
Shorelands Water Company																							
- Union Beach connections	182,500	\$1,999.78	\$2,027.38 EF 1/1/04	\$27.60	\$0	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420
- Holmdel connection	44,818	\$3,074.72	\$3,501.90 EF 1/1/04	\$427.18	\$0	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	\$1,595	
Total Shorelands Recovery Timing Differences																							
New Jersey Water Supply Authority																							
- Contract Minimum - Initial	2,943,725	\$921.64	\$900.01 EF 7/1/05	(\$41.63)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$10,212)	(\$10,212)	(\$10,212)	(\$10,212)	(\$10,212)	(\$10,212)	(\$10,212)	(\$10,212)	(\$10,212)
- Contract Minimum - Delayed Purc	365,000	\$1,166.00	\$1,149.26 EF 7/1/05	(\$36.74)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,118)	(\$1,118)	(\$1,118)	(\$1,118)	(\$1,118)	(\$1,118)	(\$1,118)	(\$1,118)	(\$1,118)
- Contract Minimum - Delayed Purc	706,275	\$1,192.89	\$1,149.26 EF 7/1/05	(\$43.63)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,568)	(\$2,568)	(\$2,568)	(\$2,568)	(\$2,568)	(\$2,568)	(\$2,568)	(\$2,568)	(\$2,568)
Total NJWSA Recovery Timing Differences																							
Atlantic City Municipal Utilities Authority																							
- Base Rate	180,000	\$2,676.47	\$2,763.40 EF 1/1/05	\$86.93	\$0	\$0	\$0	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304	\$1,304
- Excess Rate	550,000	\$2,228.61	\$2,348.90 EF 1/1/05	\$120.29	\$0	\$0	\$0	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513	\$5,513
- Base Rate	180,000	\$2,676.47	\$2,957.20 EF 1/1/06	\$280.73																	\$4,211	\$4,211	\$4,211
- Excess Rate	550,000	\$2,228.61	\$2,513.40 EF 1/1/06	\$284.79																	\$13,053	\$13,053	\$13,053
Total ACMUA Recovery Timing Differences																							

Since the Company has requested on a going forward basis recovery of the NJWSA's rate effective 7/1/2006 (Exh. D pg. 1 of 4), this adjustment is necessary to eliminate the c

that occurs during the 4/27/06 - 6/30/06 timeperiod based on the Company's assumed April 28, 2006 effective date of the PWAC filing.

Purchased Water	Annual Volume in Million Gals Per Exhibit B (1)	2004 PWAC Order Rate per MG Per Exhibit C (2)	Current PWAC Filing Rate per MG (see footnotes) (3)	Change in Rate per MG From 2004 PWAC Order cols. (3) - (2) (4)	Apr 05	Rate Adjusts 26-Apr through 7/1/2006 (1)	Total 19-Months	Annual Cost Recovery Based on 17 mos Amort
Passaic Valley Water Commission								
- Commonwealth connections	2,789,880	\$1,079.60	\$1,122.78 ER 1/1/05	\$43.18		n/a	\$70,272	\$49,604
	2,789,880	\$1,079.60	\$1,235.06 ER 8/1/05	\$155.46	\$30,119	n/a	\$319,262	\$225,362
	2,789,880	\$1,079.60	\$1,506.81 ER 3/1/06	\$427.21		n/a	\$0	\$0
Subtotal							\$389,535	\$274,966
Electric Power	2,789,880	\$130.87	\$158.34 ER 8/1/05	\$27.47	\$5,322	n/a	\$56,416	\$39,823
Little Falls connection	580,390	\$1,079.60	\$1,122.78 ER 1/1/05	\$43.18		n/a	\$14,619	\$10,319
	580,390	\$1,079.60	\$1,235.06 ER 8/1/05	\$155.46	\$6,266	n/a	\$66,417	\$46,883
	580,390	\$1,079.60	\$1,506.81 ER 3/1/06	\$427.21		n/a	\$0	\$0
Subtotal							\$81,036	\$57,202
Total PVWA Recovery Timing Differences							\$526,987	\$371,991
Shorelands Water Company								
- Union Beach connections	182,500	\$1,999.78	\$2,027.38 ER 1/1/04	\$27.60	\$350		\$7,486	\$5,284
- Hufnidel connection	44,818	\$3,074.72	\$3,501.90 ER 1/1/04	\$427.18	\$1,330		28,452	20,084
Total Shorelands Recovery Timing Differences							\$35,938	\$25,368
New Jersey Water Supply Authority:								
- Contract Minimum - Initial	2,943,725	\$921.64	\$880.01 ER 7/1/05	(\$41.63)	(\$8,510)	\$32,816	(\$67,605)	(\$47,721)
- Contract Minimum - Delayed Purc	365,000	\$1,186.00	\$1,149.26 ER 7/1/05	(\$36.74)	(\$931)	\$5,947	(\$,042)	(\$,559)
- Contract Minimum - Delayed Purc	706,275	\$1,192.89	\$1,149.26 ER 7/1/05	(\$43.63)	(\$2,140)	\$11,508	(\$13,743)	(\$9,701)
Total NJWSA Recovery Timing Differences							(\$86,390)	(\$60,981)
Atlantic City Municipal Utilities Authority								
- Base Rate	180,000	\$2,676.47	\$2,763.40 ER 1/1/06	\$86.93			\$15,647	\$11,045
- Excess Rate	550,000	\$2,228.61	\$2,348.90 ER 1/1/06	\$120.29			66,160	46,701
- Base Rate	180,000	\$2,676.47	\$2,957.20 ER 1/1/06	\$280.73	\$3,509		16,142	11,394
- Excess Rate	550,000	\$2,228.61	\$2,613.40 ER 1/1/06	\$384.79	\$10,877		50,036	35,320
Total ACMUA Recovery Timing Differences							\$147,985	\$104,460

) Since the Company has requested on a going forward basis recovery of the NJWS

ffective 7/1/2006 (Exh. D pg. 1 of 4), this ad

The following is a schedule of the PSTAC related costs for the increases in rates from:

	2003 Base Case Order Doc.# WR03070511 Annual Charge Per Exhibit B	Current PSTAC Filing Annual Charge	Annual Cost Increase	2004 PWAC Recovery Prior Order	2005 PWAC Cost Increase
<u>Ocean County Utilities Authority</u>					
Annual Charge	\$2,869,146	\$3,433,745 Effed. 1/1/2006 (1)	\$564,589	\$221,204	\$343,395
Deficiency Billing - 2004 Operations	n/a	\$136,528 (2)	96,373	-	96,372.71
Deficiency Billing - per Docket WR04070684	n/a	\$243,035 (3)	171,554	-	171,554.12
Recovery Timing Differences (see Exhibit D page 4)			226,888	153,496	73,191.50
Overrecovery of 2004 PSTAC (Docket # WR04070684) (Exhibit A)			(14,963)		(14,963.00)
Total Increase in Annual Revenue Required			\$1,044,250	\$374,700	\$669,550
Total Annualized Winter Quarter Usage (in 1000 gals)			1,016,644	953,404	1,016,644
PSTAC (per 1000 gals.)			\$1.0272	\$0.3930	\$0.6586
Existing PSTAC - Effective October 5, 2004			\$0.3930		
Incremental Increase in PSTAC based on new Effective Date of 4/26/06			\$0.6342		
Incremental Increase in PSTAC requested in Public Notice - Feb. 2006			\$0.5977		
New PSTAC per Stipulation - Effective 4/26/06 (existing \$0.3930 + increm. New capped at Noticed amount \$0.5977)			\$ 0.9907		
Stipulated PWAC Revenue Increase: \$0.5977 (\$0.9907 - \$0.3930) x annualized winter qtr. Consup.			\$ 607,648		
<u>Cape May County Municipal Utilities Auth.</u>					
Annual Charge	\$6,129,368	\$6,475,027 Effed. 1/1/2006 (4)	\$345,659	\$0	\$345,659
Deficiency Billing - 2004 Operations		(\$34,349) (5)	(24,246)	0	(24,246)
Recovery Timing Differences (see Exhibit D page 4)			133,047	0	133,047
Total Increase in Annual Revenue Required			\$454,460	\$0	\$454,460
Total Summer Quarter Usage (in 1000 gals)			380,046	-	380,046
PSTAC (per 1000 gals.)			\$1.1958	\$0.0000	\$1.1958
Existing PSTAC - Effective October 5, 2004			\$0.0000		
Incremental Increase in PSTAC based on new Effective Date of 4/26/06			\$1.1958		
Incremental Increase in PSTAC requested in Public Notice - Feb. 2006			\$1.0977		
New PSTAC per Stipulation - Effective 4/26/06 (existing \$0.000 + increm. New capped at Noticed amount \$1.0977)			\$ 1.0977		
Stipulated PWAC Revenue Increase: \$1.0977 (\$1.0977 - \$0.000) x total summer qtr. Consup.			\$ 417,176		
<u>Howell Twp. Sewer Dept.</u>					
Annual Charge	\$709,992	\$793,534 Effed. 1/1/2006 (6)	\$83,542	\$0	\$83,542
Recovery Timing Differences (see Exhibit D page 4)			77,809	0	77,809
Total Increase in Annual Revenue Required			161,351	0	161,351
Total Annual Usage (in 1000 gals)			161,927	-	161,927
PSTAC (per 1000 gals.)			\$0.9964	\$0.0000	\$0.9964
Existing PSTAC - Effective October 5, 2004			\$0.0000		
Incremental Increase in PSTAC based on new Effective Date of 4/26/06			\$0.9964		
Incremental Increase in PSTAC requested in Public Notice - Feb. 2006			\$0.9408		
New PSTAC per Stipulation - Effective 4/26/06 (existing \$0.000 + increm. New capped at Noticed amount \$0.9408)			\$ 0.9408		
Stipulated PWAC Revenue Increase: \$0.9408 (\$0.9408 - \$0.000) x Annual Consup.			\$ 152,341		

Notes:

- (1) Reflects the OCUA's 2006 Annual Charge-per OCUA Letter November 15, 2005 (OCUA's Rate Adopted per Resolution 05-8253 June 21, 2005).
- (2) Deficiency Billing for 2004 Operations \$136,528 - OCUA Letter February 1, 2005. Annual cost for PSTAC recovery is based on an estimated 17 month recovery period (estimated based on anticipated term of the 2004 PSTAC).
- (3) This deficiency billing authorized in the 2004 PWAC filing Docket No. WR WR04070684. Amount reflects the annual amortization based on the unamortized balance as of March 1, 2006 reamortized over an estimated 17 months which is based on the anticipated duration of the 2004 PSTAC.
- (4) Reflects the CMCMA's 2005 Annual Charge - per User Charge System Rate Setting Report November 9, 2005
- (5) Credit Billing for 2004 Operations (\$34,349) - CMCMA Letter May 2, 2005. Annual cost for PSTAC is based on an estimated 17 month recovery period (estimated based on anticipated term of the 2004 PSTAC).
- (6) Reflects Howell Twp's Sewer Dept's 2005 Annual Charge-2006 not available until March 2006.

Revised 3/29/06 Petition **Schedule 1 to the Stipulation**
 EXHIBIT D Page 4 of 4 4/6/2006
 Page 4 of 4

Schedule 1 to the Stipulation
Page 4 of 4

4/5/2006

EXHIBIT B

New Jersey-American Water Company
2003 Rate Case - BPU Docket No. WR03070511
Base Cost of Purchased Water and Sewage Treatment
Quantity and Expense per Stipulation

Schedule 2

<u>BASE COSTS</u>	<u>Annual Volume in Million Gallons</u>	<u>Rate per Million Gallons</u>	<u>Total Expense</u>
<u>Purchased Water</u>			
Elizabethtown Water Company	4,723.542	\$1,519.65	<u>\$7,178,131</u>
Passaic Valley Water Commission			
- Commonwealth connections			
Water Rates	2,789.880	\$1,079.60	\$3,011,954
Electric Power	2,789.880	\$113.40	\$316,372
- Little Falls connection	580.390	\$1,079.60	\$626,589
Total PVWC			<u>\$3,954,915</u>
Morris County Municipal Utilities Authority	237.000	\$2,100.00	<u>\$497,700</u>
Montclair Water Bureau	82.957	\$1,190.00	<u>\$98,719</u>
Shorelands Water Company			
- Union Beach connections	182.500	\$1,999.78	\$364,960
- Holmdel connection	44.818	\$3,074.72	\$137,803
Total Shorelands			<u>\$502,763</u>
New Jersey Water Supply Authority			
- Contract Minimum	2,943.725	\$779.97	\$2,296,017
- Contract Minimum	365.000	\$1,050.45	\$383,414
- Contract Minimum	706.275	\$1,057.34	\$746,773
- Excess Purchases	0.000	\$0.00	\$0
Electric Power			\$170,087
Other Charges	4,015.000	\$15.00	\$60,225
Total NJWSA			<u>\$3,656,516</u>
Atlantic City Municipal Utilities Authority			
- Base Rate	180.000	\$2,676.47	\$481,765
- Excess Rate	550.000	\$2,228.61	\$1,225,736
Total ACMUA			<u>\$1,707,501</u>
City of Wildwood	44.000	\$1,500.00	<u>\$66,000</u>
Township of Maple Shade	7.216	\$5,226.66	<u>\$37,716</u>
Additional Purchased Water Cost due to New Customers and Normalization Adjustment			<u>\$377,944</u>
Borough of Seaside Heights	73.719	\$1,500.00	<u>\$110,579</u>
Total Company Purchased Water			<u>\$18,188,484</u>
<u>Sewage Treatment and Disposal Cost</u>			
Cape May County Municipal Utilities Authority	1,169.232	\$5,242.22	<u>\$6,129,368</u>
Ocean County Utilities Authority	882.00	\$3,253.00	<u>\$2,869,146</u>
Howell Twp. Sewer Dept.	171.00	\$4,152.00	<u>\$709,992</u>
Total Company Sewage Treatment and Disposal			<u>\$9,708,506</u>

Schedule 3 to the Stipulation

RATE SCHEDULE O PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)

APPLICABILITY

Applicable to Metered Water Customer classes in the entire territory served for Water Service including General Metered Service, General Metered Sales for Resale, Sales For Resale – Commodity-Demand Service and Sales For Resale – Off-Peak Service.

PURCHASED WATER ADJUSTMENT CLAUSE (PWAC)

In addition to all other charges for metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet for all sales will be made to recover increases in the purchased water costs not included in the Consumption or any other Charge:

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non-Exempt	All	All	\$0.00610	\$0.0840
Exempt	All	All	\$0.00525	\$0.0724

	<u>Cubic Feet Per Month</u>	<u>Cubic Feet Per Month</u>	<u>Rate Per 10 Cubic Feet</u>	<u>Rate Per 100 Cubic Feet</u>
Non-Exempt	All	All	\$0.004563	\$0.06283
Exempt	All	All	\$0.003927	\$0.05416

Note: One cubic foot is equivalent to approximately 7.48 gallons.

TERMS OF PAYMENT

See Rate Schedules for Applicable Customer Classes

Issued: November 18, 2005

Effective: April 26, 2006

By: Walter Lynch, President
131 Woodcrest Avenue, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR05110976 dated _____

Schedule 4 to the Stipulation
Page 1 of 2

TABLE OF CONTENTS - SEWER SERVICE

Rate schedules are applicable for service provided in the entire territory served as follows:

CLASS OF SERVICE	Ocean City		Lakewood Twp		Howell Twp. (Adelphia)	
	RATE SCHEDULE	SHEET NO.	RATE SCHEDULE	SHEET NO.	RATE SCHEDULE	SHEET NO.
General Metered	A	49	B	50-51	C	52
Purchased Sewerage Treatment Adjustment Clause Charge	A	49A	B-1	51A	C	52A

Issued: November 18, 2005

Effective: April 26, 2006

By: Walter Lynch, President
131 Woodcrest Avenue, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR05110976 dated _____

Schedule 4 to the Stipulation
Page 2 of 2

RATE SCHEDULE B-1
GENERAL METERED SERVICE

PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC)

APPLICABILITY

Applicable for general residential, commercial, industrial and municipal sewer service in Lakewood Township.

PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC)

In addition to all other charges for general metered service, the following charges per one hundred gallons, per one thousand gallons, per 10 cubic feet and per 100 cubic feet will be added to the Sewer Usage Charge rates as set forth in Rate Schedule B (Third Revised Sheet No. 50):

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non-Exempt and Exempt	All	All	\$0.09907	\$0.9907

	<u>Cubic Feet Per Month</u>	<u>Cubic Feet Per Quarter</u>	<u>Rate Per 10 Cubic Feet</u>	<u>Rate Per 100 Cubic Feet</u>
Non-Exempt and Exempt	All	All	\$0.074104	\$0.74104

Note: One cubic foot is equivalent to approximately 7.48 gallons.

Terms of Payment

See Sewer Rate Schedule B.

Issued: November 18, 2005

Effective: April 26, 2006

By: Walter Lynch, President
131 Woodcrest Avenue, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR05110976 dated _____

Schedule 5 to the Stipulation

RATE SCHEDULE A (continued)
GENERAL METERED SERVICE

OCEAN CITY

PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC)

In addition to all other charges for general metered service, the following charges per one thousand gallons or per 100 cubic feet will be added to the Minimum Service Charge rates as set forth in Sewer-Rate Schedule A (Third Revised Sheet No. 49):

	<u>Rate</u> <u>Per 1,000 Gallons</u>
Non-Exempt	\$1.0977
Exempt	\$0.9453

	<u>Rate</u> <u>Per 100 Cubic Feet</u>
Non-Exempt	\$0.82108
Exempt	\$0.70708

Note: One cubic foot is equivalent to approximately 7.48 gallons.

Issued: November 18, 2005

Effective: April 26, 2006

By: Walter Lynch, President
131 Woodcrest Avenue, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in
Docket WR05110976 dated _____

Schedule 6 to the Stipulation

RATE SCHEDULE C (Continued)
GENERAL METERED SERVICE

PURCHASED SEWERAGE TREATMENT ADJUSTMENT CLAUSE (PSTAC)

A charge or credit (\$. . .) supplemental to the Sewer Usage Charge as set forth by Sewer-Rate Schedule C in accordance with N.J.A.C. 14:9-8.1 et seq. shall be:

	<u>Gallons Per Month</u>	<u>Gallons Per Quarter</u>	<u>Rate Per 100 Gallons</u>	<u>Rate Per 1,000 Gallons</u>
Non-Exempt	All	All	\$ 0.09408	\$ 0.9408
Exempt	All	All	\$ 0.08102	\$ 0.8102

RECEIVED
MAIL ROOM
2006 APR 28 PM 3:51
JELIC UTILITIES
NEWARK, N.J.

Issued: November 18, 2005

Effective: April 26, 2006

By: Walter Lynch, President
131 Woodcrest Avenue, Cherry Hill, New Jersey 08003

Filed pursuant to Order of the Board of Public Utilities entered in
Docket No. WR05110976 dated _____

RECEIVED
MAIL ROOM
2006 APR 28 PM 3:52
PUBLIC UTILITIES
NEWARK, N.J.



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
Quakerbridge Plaza, Building #9
Quakerbridge Road, PO Box 049
Trenton, New Jersey 08625-0049
(609) 588-6584

SOUTH

Date: 4/28/2006

Re: Initial Decisions for Receipt

Receipt of the following decisions from the Office of Administrative Law (as well as a copy of this form) is acknowledged as of the date indicated below:

OAL Docket No. PUC

673-06

Case Name

I/m/o the petition
for New Jersey American
Water Company

[Handwritten mark]

Board of Public Utilities
2 Gateway Center
Newark, New Jersey 07102

Date: Apr 28, 2006

Regina Corlano
Board of Public Utilities